

Illinois Commerce Commission

Discussion and Review:
FERC's Standard Market Design (SMD)
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CILCO

- Integrated Utility
- MISO member
- RES status within all major Illinois territories (IP, Ameren, CE)
- Electric Supply Focus:
 - Electric Retail within the CILCO control area
 - Electric Retail in neighboring control areas (primarily CE)
 - Electric Wholesale



Current Environment

- Retail – CILCO control area
 - Competitively priced supply via bundled tariff rates with a fixed commodity component or competitive contracts
 - No imbalance financial exposure
 - MISO



Current Environment

- Retail – CE control area
 - Market based contracts
 - Periodic “market value” and CTC determination
 - Designated capacity and reserves are not required
 - Long-term contracts
 - Non-MISO

Current Environment

- Wholesale Issues
 - “Seams” hurdles
 - Through and out rate “adder”
 - Available Transfer Capability determination (MISO versus MAIN)
 - Shift from buying/selling to neighbors to other MISO members

The GIGA NOPR

Objective:

Ensure non-discriminatory transmission access and improve competition in electricity markets.

The GIGA NOPR

Strategy:

- New Transmission Service – Network Access Service
- Independent Transmission Providers
- Extension of FERC jurisdiction – Bundled Retail
- New Market rules – Day ahead and Real time
- Congestion management system – LMP
- Financial products – CRR's
- Market Monitoring rules
- New Regional Agencies



Network Access Service

- Native Load Customers Impact
- Access charge responsibility of the LSE
- “Through and out” adder – Cost shifts or is bundled into access charge
- Flexibility – receipt and delivery point
- Metering and communications equipment expense

Independent Transmission Providers

- Operate all transmission facilities
- Resource Adequacy – Load difficult to predict beyond one year
- Manages Day Ahead and Real Time Markets
- Transmission track record is not great
 - Intra-Region and Intra-State Differences
 - Seams issues
 - Capacity and Reserves

Extension of FERC Jurisdiction

- Reduced role of States – Planning
- Addition of Bundled Retail
- Orders 888 and 2000 focused on Transmission, NOPR addresses Commodity, as well

Day ahead and Real time Markets

- Operated by ITP's
- May resolve energy imbalances
- Credit concerns

Locational Marginal Pricing

- Promotes investment in transmission infrastructure
- Reduces congestion
- Unconvinced that LMP promotes price certainty

Congestion Revenue Right's

Initial Allocation:

- Pro rata allocations.
- Support seasonal quantities based on customer's peak for winter, spring, summer and fall.
- Existing Firm PTP customers not serving load.
- Entity paying embedded transmission costs must receive CRRs in exchange.
- MW and time period must satisfy Resource Adequacy Requirements.
- Awarded based on existing Designated Resources and Peak Load with no provision for load growth.
- Retail Access States – should CRRs follow load.
- Obligations versus Options.

Congestion Revenue Right's cont.

Auction:

- Why have an auction for all CRRs?
- Anyone can obtain CRRs through auction.
- Bidder sophistication, credit issues, and cash flow.

Conclusion

- Balance between regulation and natural market forces
- Transition issues: Grand-fathering of Long-term retail contracts
- Flexibility should be preserved where possible
- State deregulation process must not be ignored
- Stakeholder involvement critical to success